



Paris Agreement Climate Finance Target for 2022

For Prelims: [Organisation for Economic Cooperation and Development](#), [Climate Finance Goal](#), [World Bank](#), [Multilateral Development Banks](#), [New Collective Quantified Goal](#)

For Mains: Climate finance to developing countries, Effectiveness of international climate finance mechanisms, Economic Development and Environmental Sustainability

Source: [DTE](#)

Why in News?

The [Organisation for Economic Cooperation and Development \(OECD\)](#) released a report stating that developed countries provided and mobilised more than [USD 100 billion in climate finance to developing countries in 2022](#), after failing to do so in previous years.

What are the Key Highlights of the OECD Report?

- **Climate Finance Goal:** Developed countries provided and mobilised USD 115.9 billion in climate finance to developing countries in 2022. This achievement comes two years later than the original 2020 target year.
- **Dominance of Public Climate Finance:** Public climate finance from bilateral (countries) and multilateral sources (like the [World Bank](#)) accounted for **close to 80% of the total financial flow in 2022**. Nearly 90% of financing from [Multilateral Development Banks \(MDBs\)](#) was in the form of loans.
 - Bilateral sources provided USD 41 billion, while multilateral sources provided USD 50.6 billion. Mobilised private finance accounted for USD 21.9 billion in 2022.
- **Nature of Financial Instruments:** Loans constituted 70% of public climate finance, raising concerns about debt burdens on developing countries. Grants made up only 28% of the total public climate finance.
- **Distribution by Income Level:** Lower-income countries **received 64% of their public climate finance as grants**, whereas lower-middle-income countries received only 13% as grants.
- **Funding for Mitigation vs Adaptation:** Most of the finance went towards mitigation efforts, with [adaptation](#) activities receiving USD 32.4 billion in 2022.
- **Expert Concerns and Recommendations:** Experts called for more transparent accounting and a clear definition of climate finance.
 - Critics argue that the heavy reliance on loans undermines climate justice principles.
 - The **USD 100 billion target is deemed inadequate** compared to the estimated **USD 1 trillion needed annually by 2030** for developing nations to effectively combat [climate change](#).

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CLIMATE FINANCE

Climate finance refers to local, national or transnational financing—drawn from public/ private/alternative sources of financing—to support mitigation and adaptation actions against climate change.

PRINCIPLES OF CLIMATE FINANCE

- ▶ Polluter Pays
- ▶ Common but Differentiated Responsibility and Respective Capability (CBDR-RC)

Multilateral Climate Funds Coordinated by UNFCCC

- ▶ **Global Environment Facility (GEF):** Operating entity of financial mechanism (1994)
- ▶ **Kyoto Protocol (2001):**
 - ▶ **Adaptation Fund (AF):** Gives developing countries full ownership of adaptation projects
 - ▶ **Clean Development Mechanism (CDM):** To carry out emission-reduction projects in developing nations
- ▶ **Green Climate Fund (GCF):** estd. - 2010 (COP 16)
 - ▶ Funds under it - **Least Developed Countries Fund (LDCF)** and **Special Climate Change Fund (SCCF)**
- ▶ **Long-Term Climate Finance:**
 - ▶ **Cancun Agreements (2010):** Mobilize and provide scaled-up funds in short and long term
 - ▶ **Paris Agreement (2015):** Developed nations agreed to establish new collective goal of at least \$100 billion/year by 2025
- ▶ **Loss and Damage Fund (2023) (COP27 & COP28):** Financial assistance to nations most vulnerable and impacted by effects of climate change

Climate Investment Funds (CIFs) under World Bank

- ▶ Clean Technology Fund
- ▶ Strategic Climate Fund

INDIA'S INITIATIVES REGARDING CLIMATE FINANCE

Fund	Objective
▶ National Adaptation Fund for Climate Change (NAFCC) (2015)	▶ For vulnerable Indian states
▶ National Clean Energy Fund (2010-11)	▶ Advancing clean energy (started with initial carbon tax on industrial coal use)
▶ National Adaptation Fund (2014)	▶ Bridging gap between required and available funds
▶ Intended Nationally Determined Contributions (INDCs) (2015)	▶ Nationally binding targets adopted under UNFCCC
▶ Climate Change Finance Unit (2011)	▶ Leads on global climate finance issues

Challenges to Climate Finance

- ▶ Gap between national needs and climate finance under NDCs
- ▶ Least Developed Countries receive much less approved funding in per-capita terms from the multilateral climate funds
- ▶ Slow rate of approvals
- ▶ Failure in securing viability-gap funding



What is the Future of Climate Finance Goal?

- ▶ Negotiations are underway to establish a new, more ambitious **New Collective Quantified Goal (NCQG)** on climate finance. This is expected to be adopted at COP29 summit in Baku, Azerbaijan, in November 2024.
 - Under NCQG developed countries must meet from **2025 onward to provide climate finance to developing countries** and it will supersede the **2015 Paris Agreement**.
- ▶ A 2021 report by UN Climate Change estimated that developing countries would need about **USD 6 trillion annually until 2030 to implement their climate action plans**.
 - **India has urged developed countries to provide at least USD 1 trillion per year** in climate finance to developing countries from 2025 to address global warming.

Organisation for Economic Co-operation and Development

- The OECD is an international organisation of **38 democratic countries** committed to the market economy.
- It was established in 1960, by 18 European nations, the United States, and Canada, with **headquarters in Paris, France.**
- The OECD aims to shape policies that foster prosperity, equality, opportunity, and well-being for all, and publishes economic reports, statistical databases, analyses, and forecasts on global economic growth.
- It also works to eliminate bribery and financial crime worldwide and maintains a "**black list**" of **uncooperative tax havens.**
- Additionally, the OECD has working relationships with **non-member economies like India, in addition to its member countries.**

Drishti Mains Question:

Q. Discuss the extent to which the world is on track to meet the goals set by the Paris Agreement to contain global warming and mitigate issues arising from climate change.

Read more: [Climate Finance Road to COP29](#), [India's Climate Profile \(Part - II\)](#)

UPSC Civil Services Examination Previous Year Question (PYQ)

Prelims:

Q. With reference to the Agreement at the UNFCCC Meeting in Paris in 2015, which of the following statements is/are correct? (2016)

1. The Agreement was signed by all the member countries of the UN, and it will go into effect in 2017.
2. The Agreement aims to limit the greenhouse gas emissions so that the rise in average global temperature by the end of this century does not exceed 2°C or even 1.5°C above pre-industrial levels.
3. Developed countries acknowledged their historical responsibility in global warming and committed to donate \$ 1000 billion a year from 2020 to help developing countries to cope with climate change.

Select the correct answer using the code given below:

- (a) 1 and 3 only
- (b) 2 only
- (c) 2 and 3 only
- (d) 1, 2 and 3

Ans: B

Mains:

Q. Describe the major outcomes of the 26th session of the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC). What are the commitments made by India in this conference? (2021)

Q. Explain the purpose of the Green Grid Initiative launched at the World Leaders Summit of the COP26 UN Climate Change Conference in Glasgow in November 2021. When was this idea first floated in the International Solar Alliance (ISA)? (2021)

